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APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.	CONFIRMATION NO.
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KEVIN FARRELL
PIERCE ATWOOD
ONE NEW HAMPSHIRE AVENUE
PORTSMOUTH, NH 03801

EXAMINER

GLASS, RUSSELL S

ART UNIT	PAPER NUMBER
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3626

DATE MAILED: 03/02/2006

Please find below and/or attached an Office communication concerning this application or proceeding.

Office Action Summary	Application No.	Applicant(s)	
	10/034,558	GALLEY, JOHN R.	
	Examiner	Art Unit	
	Russell S. Glass	3626	

-- The MAILING DATE of this communication appears on the cover sheet with the correspondence address --

Period for Reply

A SHORTENED STATUTORY PERIOD FOR REPLY IS SET TO EXPIRE 3 MONTH(S) OR THIRTY (30) DAYS, WHICHEVER IS LONGER, FROM THE MAILING DATE OF THIS COMMUNICATION.

- Extensions of time may be available under the provisions of 37 CFR 1.136(a). In no event, however, may a reply be timely filed after SIX (6) MONTHS from the mailing date of this communication.
- If NO period for reply is specified above, the maximum statutory period will apply and will expire SIX (6) MONTHS from the mailing date of this communication.
- Failure to reply within the set or extended period for reply will, by statute, cause the application to become ABANDONED (35 U.S.C. § 133). Any reply received by the Office later than three months after the mailing date of this communication, even if timely filed, may reduce any earned patent term adjustment. See 37 CFR 1.704(b).

Status

- 1) ☒ Responsive to communication(s) filed on 26 December 2001.
- 2a) ☐ This action is **FINAL**. 2b) ☒ This action is non-final.
- 3) ☐ Since this application is in condition for allowance except for formal matters, prosecution as to the merits is closed in accordance with the practice under *Ex parte Quayle*, 1935 C.D. 11, 453 O.G. 213.

Disposition of Claims

- 4) ☒ Claim(s) 1-25 is/are pending in the application.
- 4a) Of the above claim(s) _____ is/are withdrawn from consideration.
- 5) ☐ Claim(s) _____ is/are allowed.
- 6) ☒ Claim(s) 1-25 is/are rejected.
- 7) ☐ Claim(s) _____ is/are objected to.
- 8) ☐ Claim(s) _____ are subject to restriction and/or election requirement.

Application Papers

- 9) ☐ The specification is objected to by the Examiner.
- 10) ☐ The drawing(s) filed on _____ is/are: a) ☐ accepted or b) ☐ objected to by the Examiner.
Applicant may not request that any objection to the drawing(s) be held in abeyance. See 37 CFR 1.85(a).
Replacement drawing sheet(s) including the correction is required if the drawing(s) is objected to. See 37 CFR 1.121(d).
- 11) ☐ The oath or declaration is objected to by the Examiner. Note the attached Office Action or form PTO-152.

Priority under 35 U.S.C. § 119

- 12) ☐ Acknowledgment is made of a claim for foreign priority under 35 U.S.C. § 119(a)-(d) or (f).
- a) ☐ All b) ☐ Some * c) ☐ None of:
1. ☐ Certified copies of the priority documents have been received.
 2. ☐ Certified copies of the priority documents have been received in Application No. _____.
 3. ☐ Copies of the certified copies of the priority documents have been received in this National Stage application from the International Bureau (PCT Rule 17.2(a)).

* See the attached detailed Office action for a list of the certified copies not received.

Attachment(s)

- | | |
|--|---|
| 1) <input checked="" type="checkbox"/> Notice of References Cited (PTO-892) | 4) <input type="checkbox"/> Interview Summary (PTO-413) |
| 2) <input type="checkbox"/> Notice of Draftsperson's Patent Drawing Review (PTO-948) | Paper No(s)/Mail Date. _____ |
| 3) <input checked="" type="checkbox"/> Information Disclosure Statement(s) (PTO-1449 or PTO/SB/08) | 5) <input type="checkbox"/> Notice of Informal Patent Application (PTO-152) |
| Paper No(s)/Mail Date <u>2/27/2002</u> . | 6) <input type="checkbox"/> Other: _____ |

DETAILED ACTION

Claim Objections

1. Claims 9 and 18 are objected to because of the following informalities:

Claims 9 and 18 recite conditional limitations. As per claim 9, the claim recites the limitation "if said section 1031 exchange is disallowed." As per claim 18, the claim recites the limitation "if the Internal Revenue Service disallows said section 1031 exchange." There is no requirement within claims 9 and 18 that the limitation must occur. It is unclear to the examiner what happens when a section 1031 exchange is allowed. Applicant is requested to clarify what happens in the scenario of a section 1031 exchange being allowed.

Claim Rejections - 35 USC § 112

The following is a quotation of the second paragraph of 35 U.S.C. 112:

The specification shall conclude with one or more claims particularly pointing out and distinctly claiming the subject matter which the applicant regards as his invention.

2. Claims 1-25 are rejected under 35 U.S.C. 112, second paragraph, as being incomplete for omitting essential steps, such omission amounting to a gap between the steps. See MPEP § 2172.01.

3. As per claims 1, 9, and 18, the omitted steps are:

- (a) assessing the risk of disallowance for a proposed section 1031 exchange using a risk-assessment algorithm,
 - (b) determining a premium insurance payment due from taxpayer based upon the assessed risk of disallowance for a proposed section 1031 exchange,
 - (c) receiving the premium insurance payment from the taxpayer,
 - (c) disallowing a section 1031 exchange,
 - (d) paying the taxpayer according to the insurance contract.
4. Claims 2-8, 10-17, and 19-25 are dependent upon the above rejected claims and therefore lack the same essential steps. These claims are rejected for the same reasons listed above for claims 1, 9, and 18.

Claim Rejections - 35 USC § 103

The following is a quotation of 35 U.S.C. 103(a) which forms the basis for all obviousness rejections set forth in this Office action:

(a) A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negated by the manner in which the invention was made.

5. Claim 1 is rejected under 35 U.S.C. 103(a) as being unpatentable over Roberts et al. (U.S. 2002/0013750); in view of Haberman, (PCT/US00/10476).

6. As per claim 1, Roberts discloses a Section 1031 exchange, (Roberts, ¶ 10).

However, Roberts fails to disclose a method for providing an insured result for providing

a taxpayer with insurance that at least a portion of any tax, penalty and interest assessed will be paid to said taxpayer.

Such a method is well-known in the art as evidenced by Haberman, (Haberman, p. 3, lines 15-20). Although Haberman discloses a method for insuring against estate tax liability, it would be obvious to apply the tax indemnification method disclosed by Haberman to the Section 1031 tax issue disclosed by Roberts.

It would be obvious to one of ordinary skill in the art at the time of the invention to combine Roberts and Haberman. The motivation would be to provide a low risk method of enabling investors to realize substantial tax-deferred benefits in accordance with Section 1031, (Roberts ¶¶ 22, 23).

7. Claims 2, 3, 6-12, 15-20, 23-25 are rejected under 35 U.S.C. 103(a) as being unpatentable over Roberts, in view of Haberman, and further in view of Greco et al., (U.S. 5,809,478).

8. As per claim 2, the collective system of Roberts and Haberman fails to disclose a method further comprising qualifying said taxpayer for insurance coverage by obtaining information relating to said Section 1031 exchange.

Greco discloses a method further comprising qualifying said taxpayer for insurance coverage by obtaining information, (Greco, Fig. 2; col. 3, line 16-col. 4, line 56)(taxpayer is equivalent to customer). Greco fails to disclose that the information relates to a Section 1031 exchange. However, limitations related to Section 1031

exchanges are obvious for the reasons provided in the rejection of claim 1 and those reasons are incorporated herein by reference.

The statement of obviousness and motivation to create the collective system of Roberts and Haberman is as provided in the rejection of claim 1 and is incorporated herein by reference.

It would be obvious at the time of the invention to combine Greco with the collective system of Roberts and Haberman. The motivation would be to assemble data and render decisions based on the data, (Greco, col. 1, lines 65-67).

9. As per claim 3, the claim contains substantially the same limitations as claim 2 and therefore the reasons for the rejection of claim 2 are incorporated herein by reference.

The statement of obviousness and motivation to create the collective system of Roberts and Haberman, and to then add Greco to the system, is as provided in the rejection of claim 2 and is incorporated herein by reference.

10. As per claim 6, the collective system of Roberts and Haberman fails to disclose a method further comprising qualifying a taxpayer for insurance coverage includes determining that said Section 1031 exchange meets applicable exchange safe harbors.

Greco discloses a method further comprising qualifying said taxpayer for insurance coverage by obtaining information, (Greco, Fig. 2; col. 3, line 16-col. 4, line 56). Taxpayer is equivalent to customer because they performs an identical function in substantially the same way and produce substantially the same results. Greco fails to disclose that the information relates to a Section 1031 exchange. However, limitations

related to Section 1031 exchanges are obvious for the reasons provided in the rejection of claim 1 and those reasons are incorporated herein by reference.

The statement of obviousness and motivation to create the collective system of Roberts and Haberman, and to then add Greco to the system, is as provided in the rejection of claim 2 and is incorporated herein by reference.

11. As per claim 7, the collective system of Roberts and Haberman fails to disclose a method further comprising insuring said taxpayer against said Section 1031 exchange being disallowed including obtaining insurance underwriting from an insurance carrier.

Greco discloses a method further including obtaining insurance underwriting from an insurance carrier, (Greco, col. 1, lines 23-28). Greco fails to disclose limitations related to a Section 1031 exchange. However, limitations related to Section 1031 exchanges are obvious for the reasons provided in the rejection of claim 1 and those reasons are incorporated herein by reference.

The statement of obviousness and motivation to create the collective system of Roberts and Haberman, and to then add Greco to the system, is as provided in the rejection of claim 2 and is incorporated herein by reference.

12. As per claim 7, the collective system of Roberts and Haberman fails to disclose a method further comprising insuring said taxpayer against said Section 1031 exchange being disallowed including providing said taxpayer with a certificate of indemnification.

Greco discloses a method further including providing said taxpayer with a certificate of indemnification, (Greco, Fig. 2, #295; col. 4, lines 38-41). Issuing an approved policy is equivalent to providing said taxpayer with a certificate of

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indemnification because it performs an identical function in substantially the same way and produces substantially the same results. Greco fails to disclose limitations related to a Section 1031 exchange. However, limitations related to Section 1031 exchanges are obvious for the reasons provided in the rejection of claim 1 and those reasons are incorporated herein by reference.

The statement of obviousness and motivation to create the collective system of Roberts and Haberman, and to then add Greco to the system, is as provided in the rejection of claim 2 and is incorporated herein by reference.

13. As per claim 9, the collective system of Roberts and Haberman suggest limitations related to Section 1031 exchanges that are obvious for the reasons provided in the rejection of claim 1 and those reasons are incorporated herein by reference. The collective system of Roberts and Haberman fails to disclose the remaining limitations of claim 9. However, these limitations are well known in the art as evidenced by Greco.

Greco discloses a method further comprising:

- (a) qualifying a taxpayer for insurance coverage, (Greco, col. 1 lines 17-61) (Risk-evaluation is equivalent to qualification because it performs an identical function in substantially the same way and produces substantially the same results);
- (b) insuring said taxpayer, (Greco, col. 1 lines 17-61); and
- (c) providing a payment to said taxpayer, (Greco, col. 1 lines 17-61) (delivering core benefits to a customer is equivalent to providing a payment to said taxpayer because it performs an identical function in substantially the same way and produces substantially the same results).

The statement of obviousness and motivation to create the collective system of Roberts and Haberman, and to then add Greco to the system, is as provided in the rejection of claim 2 and is incorporated herein by reference.

14. As per claim 10, Roberts discloses a Section 1031 exchange, (Roberts, ¶ 10). However, Roberts fails to disclose a method for providing an insured result for providing a taxpayer with insurance that at least a portion of any tax, penalty and interest assessed will be paid to said taxpayer.

Such a method is well-known in the art as evidenced by Haberman, (Haberman, p. 3, lines 15-20). Although Haberman discloses a method for insuring against estate tax liability, it would be obvious to apply the tax indemnification method disclosed by Haberman to the Section 1031 tax issue disclosed by Roberts.

The statement of obviousness and motivation to create the collective system of Roberts and Haberman, and to then add Greco to the system, is as provided in the rejection of claim 2 and is incorporated herein by reference.

15. As per claims 11 and 19, the claims contains substantially the same limitations as claim 2 and therefore the reasons for the rejection of claim 2 are incorporated herein by reference.

The statement of obviousness and motivation to create the collective system of Roberts and Haberman, and to then add Greco to the system, is as provided in the rejection of claim 2 and is incorporated herein by reference.

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16. As per claims 12 and 20, the claims contain substantially the same limitations as claim 3 and therefore the reasons for the rejection of claim 3 are incorporated herein by reference.

The statement of obviousness and motivation to create the collective system of Roberts and Haberman, and to then add Greco to the system, is as provided in the rejection of claim 2 and is incorporated herein by reference.

17. As per claims 15 and 23, the claims contain substantially the same limitations as claim 6 and therefore the reasons for the rejection of claim 6 are incorporated herein by reference.

The statement of obviousness and motivation to create the collective system of Roberts and Haberman, and to then add Greco to the system, is as provided in the rejection of claim 2 and is incorporated herein by reference.

18. As per claims 16 and 24, the claims contain substantially the same limitations as claim 7 and therefore the reasons for the rejection of claim 7 are incorporated herein by reference.

The statement of obviousness and motivation to create the collective system of Roberts and Haberman, and to then add Greco to the system, is as provided in the rejection of claim 2 and is incorporated herein by reference.

19. As per claim 17 and 25, the claims contain substantially the same limitations as claim 8 and therefore the reasons for the rejection of claim 8 are incorporated herein by reference.

The statement of obviousness and motivation to create the collective system of Roberts and Haberman, and to then add Greco to the system, is as provided in the rejection of claim 2 and is incorporated herein by reference.

20. As per claim 18, the collective system of Roberts, Haberman and Greco discloses a method of facilitating a Section 1031 exchange for a taxpayer, said method comprising:

- (a) serving as a qualified intermediary for said Section 1031 exchange, (Roberts, Fig. 1);
- (b) insuring said taxpayer, (Greco, col. 1 lines 17-61); and
- (c) providing a payment to said taxpayer, (Greco, col. 1 lines 17-61) (delivering core benefits to a customer is equivalent to providing a payment to said taxpayer because it performs an identical function in substantially the same way and produces substantially the same results).

Although the collective system of Roberts, Haberman and Greco fails to disclose a method for insuring against Section 1031 liability, Haberman discloses a method for insuring against estate tax liability. It would be obvious to apply the tax indemnification method disclosed by Haberman to the Section 1031 tax issue disclosed by Roberts.

The statement of obviousness and motivation to create the collective system of Roberts and Haberman, and to then add Greco to the system, is as provided in the rejection of claim 2 and is incorporated herein by reference.

21. Claims 4, 13 and 21 are rejected under 35 U.S.C. 103(a) as being unpatentable over Roberts, in view of Haberman, further in view of Greco et al., and further in view of Koresco, V, (U.S. 6,963,852).

22. As per claim 4, the collective system of Roberts, Haberman and Greco fail to disclose a method further comprising requiring said taxpayer to provide information relating to said Section 1031 exchange in affidavit form.

However, providing information via an affidavit is old and well-known as evidenced by Koresco, (Koresco, col. 14, line 30). Koresco fails to disclose that the information relates to a Section 1031 exchange. However, limitations related to Section 1031 exchanges are obvious for the reasons provided in the rejection of claim 1 and those reasons are incorporated herein by reference.

The statement of obviousness and motivation to create the collective system of Roberts and Haberman, and to then add Greco to the system, is as provided in the rejection of claim 2 and is incorporated herein by reference.

It would be obvious to one of ordinary skill in the art to incorporate Koresco into the collective system of Roberts, Haberman and Greco. The motivation would be to take advantage of better tax treatment, (Koresco, col. 2, lines 11-15).

23. As per claims 13 and 21, the claim contains substantially the same limitations as claim 4 and therefore the reasons for the rejection of claim 4 are incorporated herein by reference.

The statement of obviousness and motivation to create the collective system of Roberts, Haberman, Greco and Koresco is as provided in the rejection of claim 4 and is incorporated herein by reference.

24. Claims 5, 14, and 22 are rejected under 35 U.S.C. 103(a) as being unpatentable over Roberts, in view of Haberman, further in view of Greco et al., and further in view of Koresco, V, and further in view of official notice of the common law of contracts.

25. As per claim 5, the collective system of Roberts, Haberman and Koresco fail to disclose a method further comprising conditioning payment of said insurance on the veracity and completeness of information provided by said taxpayer.

However, such a method is well-known in the art as evidenced by Greco. Greco discloses that the accuracy of the risk evaluation depends upon the accuracy of the data forming the basis of the evaluation, that the accuracy of the risk evaluation is germane to the creation of the insurance policy, and that the policies are accepted or rejected based upon the risk-assessment, (Greco, Col. 1, lines 17-38). Greco fails to disclose conditioning payment by the insurance company upon the veracity and completeness of information.

However, if a policy were accepted based upon incorrect information that did not accurately convey to the insurance company the risk factors of the customer, the insurance policy would be voidable. It is well-known common law that if the first party to a contract commits fraud, the second party's obligations are voidable. Also well-known

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is the common-law principle that, if the first party to a contract misunderstands the subject matter of the contract and the second party knows of the misunderstanding of the first party, the first party's obligations are voidable.

Therefore, examiner takes official notice that it would be obvious under contract principles of common-law to condition payment of insurance upon the veracity and completeness of information provided to the insurance company by the customer.

The statement of obviousness and motivation to create the collective system of Roberts, Haberman, Greco and Koresco is as provided in the rejection of claim 4 and is incorporated herein by reference.

26. As per claims 14 and 22, the claims contain substantially the same limitations as claim 5 and therefore the reasons for the rejection of claim 5 are incorporated herein by reference.

The statement of obviousness and motivation to create the collective system of Roberts, Haberman, Greco and Koresco is as provided in the rejection of claim 4 and is incorporated herein by reference.

The statement of obviousness and motivation to consider common law in addition to the the collective system of Roberts, Haberman, Greco, and Koresco is as provided in the rejection of claim 5 and is incorporated herein by reference.

Conclusion

The prior art made of record and not relied upon is considered pertinent to applicant's disclosure is as follows: Bosco et al, (5,191,522); Kern et al., (6,604,080);

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Cianciarulo et al., (6,922,720); Bourghesi et al., (5,950,169); Walker et al., (6,119,093); Joao, (U.S. Pub. 2002/0032586); Hartigan, (U.S. Pub. 2002/0022976).

Any inquiry concerning this communication or earlier communications from the examiner should be directed to Russell S. Glass whose telephone number is 571-272-3132. The examiner can normally be reached on M-F 8-5.

If attempts to reach the examiner by telephone are unsuccessful, the examiner's supervisor, Joseph Thomas can be reached on 571-272-6776. The fax phone number for the organization where this application or proceeding is assigned is 571-273-8300.

Information regarding the status of an application may be obtained from the Patent Application Information Retrieval (PAIR) system. Status information for published applications may be obtained from either Private PAIR or Public PAIR. Status information for unpublished applications is available through Private PAIR only. For more information about the PAIR system, see <http://pair-direct.uspto.gov>. Should you have questions on access to the Private PAIR system, contact the Electronic Business Center (EBC) at 866-217-9197 (toll-free).

RSG
11/25/05

A. S. G.


JOSEPH THOMAS
SUPERVISORY PATENT EXAMINER